

BUSINESS OPPORTUNITIES IN SOUTH AFRICA

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South African Economy

- **GDP** US\$357.3 billion
- South Africa positioned as a **manufacturing centre of excellence** in Africa
- Diversified **Industrial** sectors
- **Open** economy
- Sound business case for **investment** and **profit**
- **Gateway to Africa** and markets of more than **200 Million consumers**
- **Africa** is the next big story after China and India



South Africa - emerging market perspective

Of 14 emerging markets such as Russia, Mexico, China, Poland, Spain, India, Brazil, Colombia, Chile & Argentina, South Africa is:

- **2nd** most sophisticated financial market
- **2nd** lowest effective business tax rate
- **4th** ranked for ease of accessing capital
- **4th** ranked in terms of the cost of capital
- **6th** ranked for infrastructure
- **8th** ranked in terms of labor productivity



South Africa's leading trade partners

South African Exports 2010 – top 10

R a n k 2010	Country Name	Proportion % Total	Growth 2009 - 2010
1	China	11.48%	20.28%
2	United States	10.08%	25.26%
3	Japan	9.08%	36.42%
4	Germany	8.34%	31.49%
5	United Kingdom	5.13%	4.20%
6	India	4.36%	24.23%
7	Netherlands	3.35%	-7.15%
8	Switzerland	3.28%	-21.29%
9	Zimbabwe	2.93%	12.53%
10	Mozambique	2.68%	5.53%

South African Imports 2010 – top 10

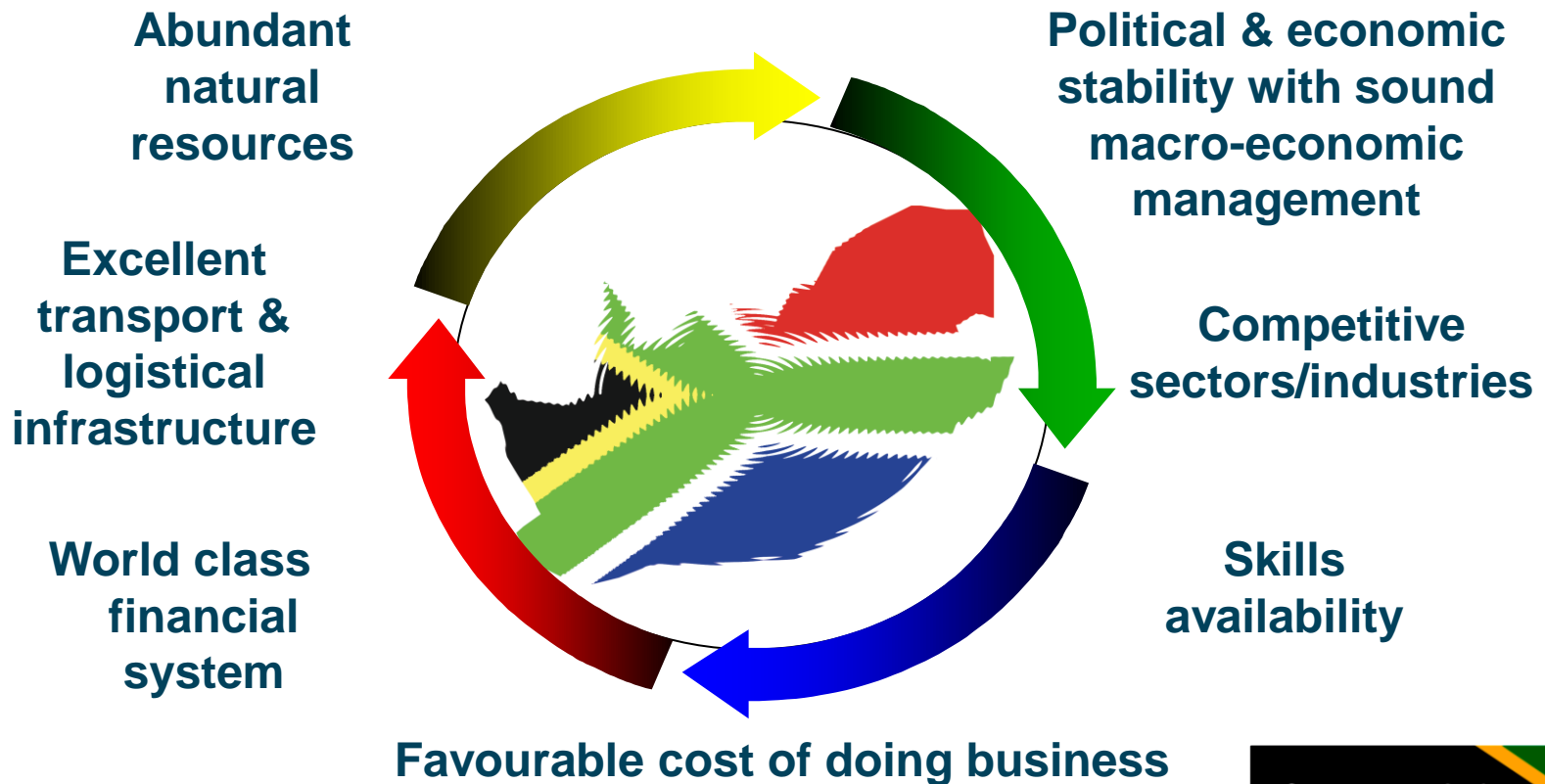
R a n k 2010	Country Name	Proportion % Total	Growth 2009 - 2010
1	China	16.89%	14.22%
2	Germany	5.45%	11.35%
3	United States	0.93%	7.14%
4	Japan	17.01%	5.34%
5	Saudi Arabia	-11.01%	4.12%
6	Iran	4.04%	4.00%
7	United Kingdom	2.30%	3.81%
8	India	33.92%	3.58%
9	France	1.58%	2.93%
10	Nigeria	3.10%	2.80%

Source: Quantec, 2011



South Africa's investment environment

South Africa today is one of the most sophisticated and promising emerging markets globally, mainly because of ...



Investment Opportunities

Sector	Sub-sector
Business Process Outsourcing & IT Enabled Services	<ul style="list-style-type: none">•Call Centers•Back-office Processing•Shared Corporate Services•Enterprise solutions e.g. fleet management and asset management•Legal process outsourcing
Electro Technical	<ul style="list-style-type: none">•Software & mobile applications•Smart metering•Embedded software•Radio frequency identification•Process control , measurement & instrumentation•Security & monitoring solutions•Financial software
Clothing, Textiles, Leather and Footwear	<ul style="list-style-type: none">•Manufacturing of industrial textiles using polyester•Production of other natural fibre textiles such as flax•Wool and mohair production – downstream opportunities for yarns, knitwear and fabric



Investment Opportunities

Sector	Sub-sector
Agro-processing	<ul style="list-style-type: none">• Fisheries and aqua-culture i.e. freshwater aqua-culture & marine culture• Food processing in the milling and baking industries• Beverages viz. fruit juices and the local packaging and export of indigenous teas• High value natural fibres viz organic cotton & downstream mohair production• High value organic food for the local and export market• Bio-fuels production viz. bio-diesel & bio-ethanol
Automotives & Components	Engine parts/components, vehicle interiors, electronic drive-train components, auto body parts, catalytic converters, aluminum forgings & castings, diesel particulate filters and leather products
Chemicals and plastic fabrication	<ul style="list-style-type: none">• Production of polypropylene used in automotive components & building and construction industries, packaging materials• Medical (drips & syringes), manufacture of active pharmaceutical ingredient (APIs) for key anti-retrovirals (ARVs)• Manufacture of reagents for AIDS/HIV diagnostics• Production of vaccines and biological medicines



Investment Opportunities

Sector	Sub-sector
Metal fabrication, capital and transport equipment	<ul style="list-style-type: none">•Downstream processing and value adding of iron, steel, aluminium, stainless steel ferroalloys and the platinum group of metals (PGM)•Conversion processes of metal products i.e. metal fabrication, pipe & tube, foundry products, wire and jewellery•Manufacturing and assembly of mining, agricultural and construction equipment•Utilities i.e. reticulation plants and pipe lines•Machine tools and tooling (auto, packaging, mining and aerospace industries)•Electrical motors•Services in the engineering, construction sectors•Rolling stock i.e. locomotives, wagons and coaches•Production of permanent ways i.e. railway lines, signalling equipment, electrification, bridges and stations•Harbor construction and equipment•Ship and oil platform building and maintenance



Investment Opportunities

Sector	Sub-sector
Tourism	<ul style="list-style-type: none">•Accommodation - hotels, boutique hotels, lodges & resorts•Urban integrated tourism/ entertainment precincts•Eco, sport, conference, cultural•Infrastructure development•Leisure complexes & world class golf courses•Harbor & waterfront developments•Trans-frontier conservation areas•Tourism transport - aviation, rail, cruise liners, etc•Green building and green technologies for tourism
Aerospace	<ul style="list-style-type: none">•Aviation related services, including maintenance, repair and overhaul (MRO)•Rotary and fixed wing components.•Aviation training services•Specialized manufacturing of avionics, including health usage monitoring systems•Aero-structure components, specifically composites and sheet metal (aluminum and titanium)•Small and micro-satellite capability including sensor platforms•Satellite related services (including tracking and control and applications development)•Specialized design expertise, systems level as well as first tier level.•Unmanned Aerial Vehicles (UAVs)



Investment Opportunities

Power generation and distribution	Independent power generation, energy infrastructure & alternative energy
Renewable energy and energy saving industries	Solar water heating, evacuated tube plants, concentrated solar heating, wind and biomass energy production
Advanced Manufacturing	<p>Advanced materials manufacturing viz -</p> <p>Nano-materials:</p> <ul style="list-style-type: none"> •High performance materials based on natural resources (advanced bio-composites) •Composites (intelligent textiles used in medical, building and construction industries) •Continuous fibre reinforced thermoform composites <p>Digital TV and Set Top Boxes due to migration to full digital television as analogue was switched off in November 2011</p> <p>Nuclear Build Program i.e. joint ventures, consortiums and the establishment of new companies to grow South Africa's nuclear manufacturing capability and nuclear supply industry to supply into the nuclear build program</p> <p>Electricity Demand-side Management Solutions to improve electricity efficiency usage</p>



Investment Opportunities

Creative and Design Industry

Film and Media

Film studios, film co-production ventures, distribution infrastructure, servicing of foreign productions

Production of film and documentaries, commercials, stills photography and multi-media

Design

Jewelry manufacturing and design

Fashion design



Incentives

Incentive	Benefit	Main Conditions
The Enterprise Investment Program (EIP)	The EIP (manufacturing) is a cash grant for locally based manufacturers who wish to establish a new production facility, expand an existing facility or upgrade an existing facility in the clothing and textiles sectors	The EIP will be used to stimulate investment within manufacturing and tourism, it will also be used to deliver on some of the Industrial Policy Action Plan's key performance areas, as well as priority sectors
Foreign Investment Grant	To compensate qualifying foreign investors for the cost of moving qualifying new machinery and equipment from abroad to SA	Foreign investors only
Industrial Development Zone	Exemption from VAT when sourcing goods and services from South African customs territory and duty-free imports of raw materials and inputs for export	Prospective Industrial Development Zone operator companies must apply for permits to develop and operate an IDZ



Incentives

Incentive	Benefit	Main Conditions
Section 12i Tax Allowance	<p>Tax deductions of up to US\$113 million depending on status viz. preferred or qualifying projects.</p> <p>Training allowance/ deduction of up to US\$1.4m or US\$4,000 per employee.</p>	<p>Valid until December 2015</p> <p>Capital investment > US\$25m</p>
Critical Infrastructure Fund	<p>Infrastructure projects intended to service IDZ, shall qualify for a grant of 30% of the qualifying infrastructure development cost</p>	<p>The minimum qualifying infrastructure development cost is US\$1.88m</p>
The Location Film & Television production Incentive	<p>To encourage and attract large budget films and television productions that will contribute towards SA economic development and international profile and increase foreign direct investment</p>	<p>Foreign owned qualifying productions</p>



THANK YOU

